Investment Fund Processing

Order and Settlement of Investment Funds in Italy

Retail Domestic Funds

November 7tht 2006

Final Draft

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1 Introduction

This document was approved by the members of Investment Funds NMPG Italy and describe local market practice and model.

The following Market participants were involved in the preparation :

- Assogestioni
- BNP Paribas Securities Services
- Capitalia AM SgR
- Citco Bank Nederland
- Gruppo MPS

2 The Agents

| Agent	Description	Function within Italian Market Practice
Authority	Authority that sets rules for the intermediaries	Banca d'Italia Consob
Investor	The party whose money is invested and who benefits from the performance of such investment. It can either be an individual or an institutional investor.	Final customer
Fund company	The company that launches the fund, determines the investment strategy, appoints the service providers, and makes all major decisions for and on behalf of the fund. It is responsible for distribution and marketing of the fund.	SGR
Asset manager	It executes the investment strategy, selects the securities of the portfolio in accordance with the fund objectives, as reflected in the fund prospectus. It places buy and sell orders for securities in accordance with the fund's net inflows and outflows.	SGR ** Delegated asset manager: other SGR or foreign asset manager
Fund accountant	It records the fund's assets and liabilities, calculates the trading prices and the fund's net asset value (NAV); it can provide performance reports and tax information.	SGR SGR can appoint NAV calculation to the Custodian. Outsourcing to other entities is also possible.
Paying agent	It can disburse dividends, accept money if an investor wants to deal directly with the fund or for investors holding registered shares. It also pays proceeds from unit redemptions	Payments are made by the custodian bank that is the only entity entitled to accept incoming cash flows for the funds
Custodian	Safekeeps securities and manages cash for the fund. Custodian verifies NAV calculation, but it could be appointed by Fund Company also to calculate it. In this case it is legally responsible of this task. Custodian is in charge to verify that all transactions done by Fund Company are compliant with regulation and fund rules. Custodian, f required by investor, issues the cumulative certificate of the fund and keeps the related register of subscribers (on the basis of information transferred by SGR)	Custodian bank;
Transfer agent	Its task is to update the fund accounts to reflect the daily unit sales and redemptions, switches, transfers and changes of registrations	SGR
Registrar	Keeps the investors register	SGR
Intermediary	It is an agent between two transacting parties. It can provide fund information to potential investors, accept orders on behalf of a fund and implement order transfer as well as flow of information between the fund and the investors and their intermediaries. It is remunerated in the form of commissions paid by	Distributor

	the SGR (rebates). It manages cash for investors, sending (receiving) money for subscription (redemptions) to (from) the custodian bank	
Cash correspondent	A financial institution that makes or receives payments on behalf of a fund.	Custodian bank

** Most of SGR covers both the management side and the distribution side. It is also possible to separate these functions and have 'SGR gestore' (management side) and 'SGR promotore' (distribution side).

3 Market participants and their relations

| Player 1	Player 2	Relationship
Investor	SGR	Subcription form based on Fund Prospectus Intermediary deliver section I and II of Prospectus to the investor before accept the order. Section III and 'Fund rules' are available on demand
Investor	Intermediary	Custody account for funds shares (optional-not mandatory)
SGR	Custodian Bank	Custodian Bank agreement and accounts for order settlement
SGR	Intermediary	Distribution agreement

4 Subscription
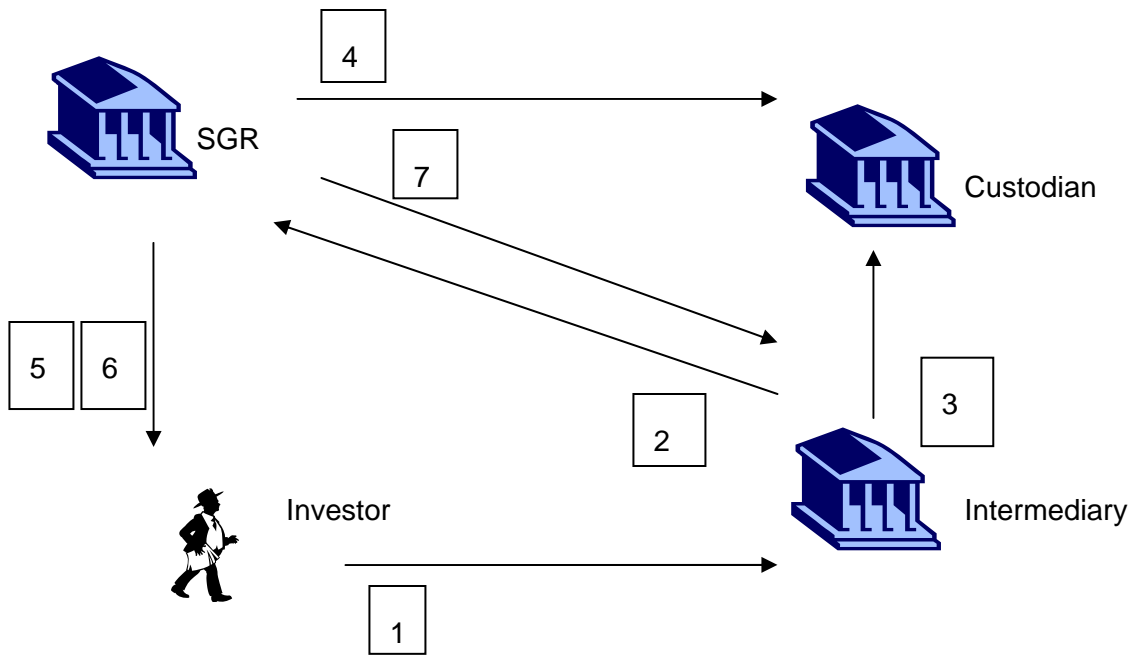
1. Investor submits a subscription order to Intermediary.
2. Intermediary sends the order to SGR and also means of payment (mainly checks).
3. In case of fund transfer, as investor's mean of payment, Intermediary credits the 'temporary. Fund' account hold by SGR at Custodian Bank.
4. SGR send checks or other means of payment to Custodian Bank.
5. SGR calculates number of shares to be assigned to the investor.
6. SGR produces and sends the confirmation letter to the investor.
7. SGR confirms also to the Intermediary the execution of investor's order.
8. Custodian Bank updates the liquidity of fund account once settled the Intermediary incoming payments. (see point 3 or 4)

9. Custodian bank issues 'certificates' (nominative or bearer) or, if investor does not require certificate physical delivery , updates the 'cumulative certificate'.

Gross amount/unit is used in step : 1,2,6
Net amount/unit is used is step : 5,6,7,8,9

5 Switch
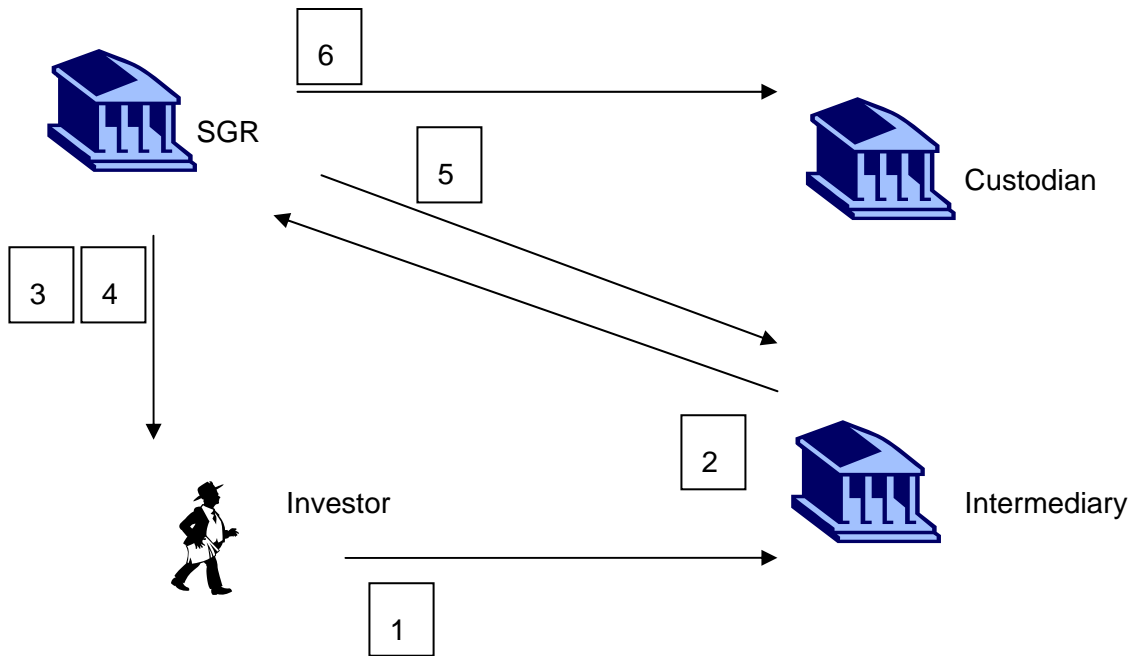
1. Investor submits a switch order to Intermediary.
2. Intermediary sends the order to SGR .
3. SGR calculates number of shares to be assigned to the investor.
4. SGR produces and sends the confirmation letter to the investor.
5. SGR could confirm also to the Intermediary the execution of investor's order.
6. Custodian Bank updates the liquidity of fund account based on switch instruction.
7. Custodian bank issues 'certificates' (nominative or bearer) or, if investor does not require certificate physical delivery, updates the 'cumulative certificate'.

Gross amount/unit is used in step : 1,2,6 out
Net amount/unit is used is step : 3,4,5,6 in,7

6 Redemption
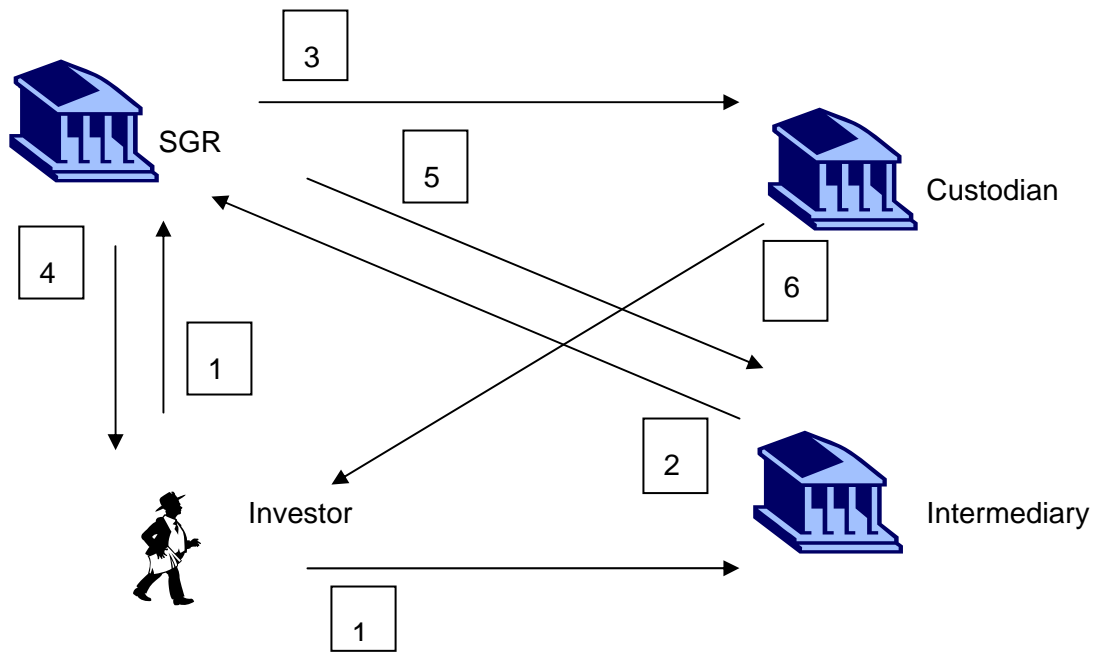
1. Investor submits a redemption order to Intermediary or to SGR.
2. Intermediary sends the order to SGR.
3. SGR sends a payment instruction to Custodian Bank to pay the investor.
4. SGR produces and sends the confirmation letter to the investor.
5. SGR confirms also to the Intermediary the execution of investor's order.
6. Custodian Bank executes the payment to the investor by fund transfer or checks or other means of payment chosen by the investor.
7. Custodian Bank updates the liquidity of fund account based on redemption instruction.

Gross amount/unit is used in step : 1,2,4,7
Net amount/unit is used is step : 3,4,5,6